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2002HOCHI00117 - UNCLASSIFIED

UNCLASSIFIED PTQ8245

PAGE 01 HO CHI 00117 01 OF 02 050818Z
ACTION EAP-00

INFO	LOG-00	NP-00	AID-00	CEA-01	CIAE-00	COME-00	CTME-00
	DODE-00	ITCE-00	DOTE-00	SRPP-00	DS-00	EB-00	ED-01
	EXME-00	E-00	FAAE-00	FBIE-00	UTED-00	VC-00	FRB-00
	HHS-01	H-01	TEDE-00	INR-00	ITC-01	L-00	VCE-00
	AC-01	DCP-01	NSAE-00	NSCE-00	OES-01	OMB-01	OPIC-01
	CAEX-01	PA-00	PM-00	PRS-00	ACE-00	P-00	SP-00
	SSO-00	STR-00	TEST-00	TRSE-00	USIE-00	PMB-00	DSCC-00
	DRL-02	G-00	NFAT-00	SAS-00	/013W		

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FM AMCONSUL HO CHI MINH CITY
TO SECSTATE WASHDC 5968
INFO AMEMBASSY HANOI

UNCLAS SECTION 01 OF 02 HO CHI MINH CITY 000117

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [PGOV](#) [SOCI](#) [ETRD](#) [VM](#)

SUBJECT: HCMC OFFICIALS CAN NOW RUN THE CITY

REF: HO CHI MINH CITY 75

1. SUMMARY: IN WHAT APPEARS TO BE A TEST CASE FOR VIETNAM'S MAJOR CITIES, THE CENTRAL GOVERNMENT HAS DEVOLVED SOME SIGNIFICANT POWERS TO HO CHI MINH CITY WITH THE ISSUANCE OF "DECREE 93" BY THE OFFICE OF THE PRIME MINISTER. THIS DECREE PERMITS HCMC FOR THE FIRST
UNCLASSIFIED

PAGE 02 HO CHI 00117 01 OF 02 050818Z
TIME TO DO ITS OWN BUDGETING, APPROVE LARGE DOMESTIC INVESTMENT PROJECTS, HANDLE LAND ISSUES, HIRE AND FIRE KEY PERSONNEL, AND EVEN PRIVATIZE SOME PUBLIC SERVICES - ALL WITH MUCH LESS INTERFERENCE FROM HANOI. HCMC AUTHORITIES SAY THEY WERE SURPRISED THAT SO MUCH AUTONOMY HAS BEEN GRANTED AND ARE STILL ASSESSING EXACTLY WHAT THIS MEANS. THEY ASSERT, HOWEVER, IT WILL BRING MORE EFFICIENT, TRANSPARENT, AND RESPONSIVE GOVERNMENT.

I NEED TO CHECK WITH HANOI

2. HO CHI MINH CITY AUTHORITIES HAVE TRADITIONALLY NEEDED APPROVALS FROM HANOI TO MAKE ALMOST ANY MAJOR DECISION. THIS BEGAN TO CHANGE WHEN LAST DECEMBER THE OFFICE OF THE PRIME MINISTER ISSUED "DECREE 93." THE DECREE GRANTS SIGNIFICANT AUTONOMY TO HO CHI MINH CITY IN SOME AREAS. CITY OFFICIALS HAD BEEN PUSHING FOR MORE LOCAL CONTROL FOR SOME TIME, BUT TO THEIR SURPRISE, ACCORDING TO ONE LOCAL OFFICIAL, "WE GOT ABOUT 95% OF WHAT WE WERE ASKING FOR." ALTHOUGH THE DECREE WENT INTO EFFECT ON DECEMBER 27, THE CITY IS STILL ASSESSING HOW IT WILL IMPLEMENT ITS NEW POWERS. RELEVANT DEPARTMENTS WILL BE MAKING RECOMMENDATIONS TO THE PEOPLE'S COMMITTEE IN FEBRUARY AND MARCH FOR NEW IMPLEMENTING REGULATIONS. JUST THE SAME, LOCAL OFFICIALS ALREADY SEE THIS AS A MAJOR DEVELOPMENT IN THE AREA OF ADMINISTRATIVE REFORM.

YOU'RE FIRED

UNCLASSIFIED

PAGE 03 HO CHI 00117 01 OF 02 050818Z

3. UNDER THE DECREE, THE PEOPLE'S COMMITTEE OF HCMC NOW HAS THE AUTHORITY TO HIRE AND FIRE KEY PERSONNEL, SUCH AS CITY DEPARTMENT HEADS. BEFORE, SUCH DECISIONS HAD TO BE APPROVED BY HANOI. NOW HCMC CAN INSTALL ITS OWN PEOPLE IN THE LOCAL GOVERNMENT HIERARCHY -- AND FIRE THEM IF THEY DO NOT PERFORM. THE CITY ALSO HAS NEW AUTHORITY TO PROVIDE ADDITIONAL "INCENTIVES" TO RECRUIT AND RETAIN SPECIALIZED OR TECHNICAL STAFF. FIRST VICE-CHAIRMAN NHAN HAS TOLD THE AMBASSADOR THAT HE WILL USE THESE INCENTIVES TO PROVIDE HIGHER SALARIES FOR INFORMATION TECHNOLOGY PROFESSIONALS (SEE REFTTEL).

4. WHAT MAY HAVE EVEN A LARGER IMPACT, LOCAL OFFICIALS NOW WILL HAVE FULL AUTHORITY TO ESTABLISH, RESTRUCTURE OR DISSOLVE AGENCIES, NON-PROFIT ORGANIZATIONS, AND STATE-OWNED ENTERPRISES (SOES) UNDER THEIR CONTROL. THE CITY CAN ALSO EXERCISE THE OPTION OF PRIVATIZING SOME OF ITS PUBLIC SERVICES.

IT'S TIME FOR YOU TO MANAGE YOUR OWN BANK ACCOUNT

15. PRIOR TO DECREE 93, HANOI DETERMINED HCMC'S BUDGET LINE ITEM BY LINE ITEM. HCMC WAS UNABLE TO REDEPLOY THAT MONEY REGARDLESS OF HOW THE CITY PERCEIVED CHANGING LOCAL NEEDS. NOW HCMC HAS GAINED VIRTUALLY FULL CONTROL OVER ITS ENTIRE BUDGET PROCESS. IN THE PAST, HANOI DETERMINED ANNUALLY THE CONTRIBUTION THAT HCMC MADE TO THE NATIONAL BUDGET, AND EVERY YEAR SAW AN INCREASE. UNDER DECREE 93, THE AMOUNT GOING TO CENTRAL GOVERNMENT COFFERS WILL BE SET AS A PERCENTAGE OF TOTAL INCOME TAX REVENUES ONCE EVERY FIVE YEARS, MAKING IT UNCLASSIFIED

PAGE 04 HO CHI 00117 01 OF 02 050818Z
POSSIBLE FOR HCMC TO MORE ACCURATELY FORECAST ITS FUTURE REVENUES. FOR THE NEXT FIVE YEARS HCMC WILL BE ABLE TO RETAIN 24% OF ALL CORPORATE AND PERSONAL INCOME TAXES RAISED IN THE CITY. HCMC WILL ALSO BE ALLOWED TO SEEK OTHER SOURCES OF FUNDING -- SUCH AS ISSUING BONDS AND ASSESSING FEES FOR LOCAL SERVICES.

I WANT TO BUILD SOMETHING REALLY BIG

16. CITY PLANNING IS NOW, UNDER DECREE 93, ACTUALLY A CITY GOVERNMENT FUNCTION. THE DECREE EXPLICITLY NOTES THAT LAND USE ISSUES ARE TO BE HANDLED AT THE CITY LEVEL. THIS MEANS CITY AUTHORITIES CAN NOW LEASE LAND PLOTS OF ANY SIZE AND PAY LOCALLY-DETERMINED PRICES FOR LAND FOR URBAN DEVELOPMENT AND INVESTMENT PROJECTS. PREVIOUSLY, ALL LAND DEALS OVER ONE HECTARE REQUIRED APPROVAL FROM THE PRIME MINISTER. ACCORDING TO LOCAL OFFICIALS, THIS CHANGE SHOULD SIGNIFICANTLY SPEED UP THE APPROVAL PROCESS.

17. STILL, THE DECREE STATES THAT HCMC AUTHORITIES SHOULD SHARE PROPOSALS WITH RELEVANT CENTRAL GOVERNMENT MINISTRIES ON MAJOR CITY PLANNING INITIATIVES. IF HCMC DOES NOT RECEIVE A REPLY WITHIN 30 DAYS, THE INITIATIVE IS CONSIDERED APPROVED. THIS IS A MARKED DEPARTURE FROM THE TRADITIONAL "UNLESS IT IS EXPLICITLY PERMITTED, IT IS NOT ALLOWED" APPROACH UTILIZED BY THE GVN.

I'LL TAKE YOUR 10 MILLION

18. THE PROCESS OF APPROVING LARGE DOMESTIC INVESTMENTS ALSO HAS BEEN STREAMLINED, AND SHOULD ALLOW PROJECTS TO UNCLASSIFIED

PAGE 02 HO CHI 00117 02 OF 02 050818Z
MOVE MUCH MORE QUICKLY. WITH DECREE 93, DOMESTIC INVESTMENT PROJECTS OVER US\$10 MILLION WILL BE REVIEWED AT THE "FEASIBILITY STUDY" PHASE BY THE OFFICE OF THE PRIME MINISTER. THIS ALLOWS FOR THE APPROVAL OF PROJECTS "IN PRINCIPLE" AT AN EARLY STAGE, RATHER THAN SUBJECTING EVERY ASPECT OF A FULLY DEVELOPED PROPOSAL TO CENTRAL GOVERNMENT SCRUTINY. THE DECREE DOES NOT COVER FOREIGN DIRECT INVESTMENT.

ANYTHING ELSE?

19. THE MOVE TO GRANT MORE AUTONOMY TO HO CHI MINH CITY IS A SUCCESS FOR CITY OFFICIALS WHO HAVE LONG LOBBIED FOR THESE CHANGES. THEY HAVE ASSERTED THAT HCMC - BECAUSE OF ITS SIZE, LEVEL OF ECONOMIC DEVELOPMENT, AND RATE OF GROWTH - HAS ITS OWN UNIQUE CHALLENGES. SOMEWHAT SURPRISINGLY, HANOI AGREED TO ALMOST ALL OF HO CHI MINH CITY OFFICIALS' PROPOSALS. ONLY A FEW ITEMS FROM THEIR INITIAL PROPOSAL WERE REJECTED: ELIMINATION OF ONE LAYER OF CITY GOVERNMENT; CREATION OF A SPECIAL HCMC TOURIST POLICE FORCE; AND THE FREEDOM TO ESTABLISH HCMC-SPECIFIC INVESTMENT AND FINANCE CORPORATIONS. (NOTE: SEVERAL CONSULATES GENERAL IN HCMC--BRITISH, GERMAN, SINGAPOREAN, JAPANESE, AND U.S., AMONG OTHERS-- HAD URGED THE PEOPLE'S COMMITTEE TO ESTABLISH A SEPARATE TOURIST POLICE, GIVEN RECENT INCREASES IN STREET CRIME AND THE DEATH OF A BRITISH TOURIST DURING A PURSE-SNATCHING ATTEMPT. ALTHOUGH DISAPPOINTED THAT THE CENTRAL GOVERNMENT DID NOT GRANT HCMC THE FUNDING FOR THIS ENDEAVOR, THIS WAS THE FIRST WE HAD HEARD THAT HCMC OFFICIALS HAD BEEN PRESSING HANOI TO INCLUDE A UNCLASSIFIED

PAGE 03 HO CHI 00117 02 OF 02 050818Z
SEPARATE POLICE FORCE AS PART OF THE OVERALL REFORM PACKAGE.)

110. LOCAL OFFICIALS STATE THAT HCMC WILL CONTINUE PUSHING FOR THOSE CHANGES AS A PART OF FUTURE REFORMS. OVERALL, HOWEVER, HO CHI MINH CITY OFFICIALS WERE PLEASED WITH THE LEVEL OF COOPERATION SHOWN BY HANOI. THEY VIEW THESE NEW MANAGEMENT POWERS AS REAL, ABSOLUTE AND EFFECTUAL. HO CHI MINH CITY'S ABILITY TO SUCCEED USING THESE NEW MANDATES WILL BE A HARBINGER OF INITIATIVES TO COME THROUGHOUT THE REST OF VIETNAM.

DEPUTY PRIME MINISTER NGUYEN CONG TAN WAS QUOTED IN THE LOCAL PRESS AS STATING, "IF HCMC FULFILLS THE DECENTRALIZED TASKS, THE MODEL WILL BE APPLIED NATION-WIDE WHEN ADMINISTRATIVE REFORMS ARE CONDUCTED IN THE FUTURE."

COMMENT

11. THE CENTRAL GOVERNMENT HAS TAKEN A STRONG STEP IN ADMINISTRATIVE REFORM BY GRANTING HO CHI MINH CITY POWERS THAT WOULD PROBABLY APPEAR TO MOST OF US AS TYPICAL CITY GOVERNMENT FUNCTIONS, BUT NOT IN VIETNAM. WHAT REMAINS TO BE SEEN, HOWEVER, IS HOW BOTH HANOI AND HCMC DEFINE, IN PRACTICE, THIS NEW RELATIONSHIP. ONE CITY OFFICIAL NOTED THAT EVEN WITH ITS NEW POWERS "IN REALITY, WE WILL STILL ASK FOR ADVICE FROM HANOI ON MAJOR PROJECTS." HCMC WILL RECEIVE A GREAT DEAL OF SCRUTINY IN THIS PILOT PHASE OF DEVOLUTION, BOTH FROM HANOI AS WELL AS FROM OTHER LARGE CITIES SUCH AS DANANG AND CAN THO WHICH WILL SEEK SIMILAR INDEPENDENCE. WILL
UNCLASSIFIED

PAGE 04 HO CHI 00117 02 OF 02 050818Z
THESE NEW POWERS MAKE THE CITY MORE RESPONSIVE, EFFICIENT, AND ACCOUNTABLE? THE SIGNS ARE POSITIVE. DECREE 93 FOLLOWS A SERIES OF LOCAL ADMINISTRATIVE REFORMS THAT HAVE STREAMLINED INVESTMENT AND OTHER LICENSING PROCEDURES HERE IN HCMC -- AND ARE ONE REASON HCMC GENERATES SO MUCH OF VIETNAM'S INVESTMENT AND ECONOMIC GROWTH.

YAMAUCHI

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